Federal K-12 Education Relief Funding

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A Brief ESSER Chronology
ARPA the last of three packages - $5.8B in total
How Much Federal Aid Are We Talking About?

Wide variation in per-pupil allocations across districts

- **ESSER** - largest federal investment in K-12 education EVER
  - Twice as large as Obama-era relief
- **90%** to school districts directly
  - Existing federal Title I formula
  - Greater amounts to low-income schools
  - Substantial variation in per-pupil amounts
- **10%** to state for discretionary use
  - “Equalization” payments
  - Guarantee $1,100 per student
- Money arrived **ON TOP** of historic state funding amounts

### Federal ESSER Formula Allocations by District Location

<table>
<thead>
<tr>
<th>District Location</th>
<th># of Districts</th>
<th>Total ESSER Formula Allocation</th>
<th>Students (Fall 2021)</th>
<th>Per Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>158</td>
<td>$2,832,477,213</td>
<td>330,084</td>
<td>$8,581</td>
</tr>
<tr>
<td>Rural</td>
<td>308</td>
<td>$615,493,600</td>
<td>253,161</td>
<td>$2,431</td>
</tr>
<tr>
<td>Suburb</td>
<td>239</td>
<td>$1,322,770,789</td>
<td>626,969</td>
<td>$2,110</td>
</tr>
<tr>
<td>Town</td>
<td>100</td>
<td>$413,562,075</td>
<td>171,861</td>
<td>$2,406</td>
</tr>
<tr>
<td>Total</td>
<td>805</td>
<td><strong>$5,184,303,677</strong></td>
<td><strong>1,382,075</strong></td>
<td><strong>$3,751</strong></td>
</tr>
</tbody>
</table>

Source: Michigan Department of Education, COVID relief budget requests
Statewide Spending Ramps Up

$2.1B spent as of January with $3.5B remaining

- Slow spending to start, but ramping up now
  - Access to funding required legislative sign-off and MDE approval
  - Districts using a “first in, first out” approach
- Statewide, 38% of funding spent – leaving $3.5B unspent
  - FY2023 – projected $2B total
  - Final $2B to be spent in FY2024
Where is the money going?
District plans vary and are supposed to reflect community input

- Wide discretion in allowable uses of aid dollars
  - Despite early warnings, NOT used to back-fill state/local funding cuts
  - ARPA requires schools to spend at least 20% on “learning loss”
- Spending plans vary from district to district
  - Community input required
  - Largest category – “other” followed by “academic intervention”
- Timely public information about plans lacking – state and local

Source: Michigan Department of Education, COVID relief budget requests
Status of Districts’ Spending

Two-thirds of districts have $2,300 per-pupil or less

- Overall, median “spend down rate” was 30% as of January 2023
  - In line with other states
  - But this does not account for differences in per-pupil amounts
- Compare unspent balances to $9,150 per-pupil foundation grant
  - Handful of districts with substantial unspent balances
  - 95 districts with $4,575 per-pupil or more to spend
  - These districts account for $2.3B of $3.5B unspent funds statewide

Source: Research Council analysis of data from the Michigan Department of Education
Districts with Largest Unspent Balances

- Challenges faced by districts
  - Tight labor market – ongoing school staffing challenges
  - Vendor availability and global supply chain issues
- Federal aid spending competes with state aid
  - Aid layered on top of growing state/local revenue base
  - Also, School Aid Fund surplus funds flowing to districts

<table>
<thead>
<tr>
<th>Top 20 School Districts with Unspent ESSER Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>School District</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Detroit Public Schools</td>
</tr>
<tr>
<td>Warren Consolidated Schools</td>
</tr>
<tr>
<td>Utica Community Schools</td>
</tr>
<tr>
<td>Grosse Pointe Public Schools</td>
</tr>
<tr>
<td>Flint Community Schools</td>
</tr>
</tbody>
</table>

Source: Research Council analysis of data from the Michigan Department of Education
Funds Used to Improve Schools’ Financial Health

*Flexibility allowed districts to grow their reserves*

- Statewide, districts’ reserves doubled from $1.2B (FY14) to $2.4B (FY19)
  - Since pandemic, reserves grow to $3.3B (about 17% of total revenue)
  - Per-pupil: $1,600 (FY19) to $2,300 (FY21)
- Aided in part by COVID funding
  - Substitute state and local spending with federal spending
  - Detroit example - $700M set aside for facility upgrades

![Graph showing reserves as percent of revenue for traditional public school districts for FY2019, FY2020, and FY2021.](source: Center for Educational Performance and Information)
Impacts on K-12 Revenue Growth

*Long spending tail, revenue growth begins to slow in 2025*

- After years of slow growth in total K-12 revenue, federal aid changes growth trend trajectory
  - Four times the amount of aid provided in Great Recession
  - Comes on top of growing state/local revenue base
- Revenue growth slows in out years
  - Some districts face a potential “fiscal cliff”
Outstanding Questions Surrounding Federal Aid

• Are districts prepared for the coming “fiscal cliff” when funds expire?
  • How were one-time resources programmed – one-time vs. on-going spending

• Were ALL students needs met with the use of funds?
  • Still time to make adjustments to spending plans, but window closing quickly.

• Will parents, state officials, and taxpayers know how schools used the funds? And the effectiveness of the spending decisions made?
  • State- and district-level transparency has been lacking.